



“Preservation = Jobs”

Notes from Preservation Matters III: The Economics of Authenticity

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DEAR READERS,
SINCE ITS FOUNDING 40 YEARS AGO, THE PRESERVATION RESOURCE CENTER HAS REGULARLY PARTNERED WITH THE TULANE SCHOOL OF ARCHITECTURE TOWARD THEIR MUTUAL GOAL OF REVITALIZING HISTORIC NEIGHBORHOODS. THE LATEST FRUIT OF THIS COLLABORATION WAS THE 2014 PRESERVATION MATTERS III SYMPOSIUM, HELD APRIL 16-17 IN THE HISTORIC NEW ORLEANS COLLECTION'S WILLIAMS RESEARCH CENTER. A FULL CHRONICLE OF THE EVENT CAN BE FOUND ON BOTH PRC AND TSA'S WEBSITES; PUBLISHED HERE IS AN EDITED EXCERPT.
SINCERELY,
PATTY GAY, EXECUTIVE DIRECTOR, PRESERVATION RESOURCE CENTER; JOHN STUBBS, DIRECTOR, TULANE SCHOOL OF ARCHITECTURE, PRESERVATION STUDIES; KENNETH A. SCHWARTZ, DEAN, TULANE SCHOOL OF ARCHITECTURE

PRESERVATION DOESN'T HARM OUR ECONOMY; it ignites it." These were not the words of an activist predisposed to such calculus, but rather a big-city politician, the likes of which all too often harbor — and act on — sentiments to the contrary. They came from the longest-serving chief executive of one of the nation's oldest cities, Thomas M. Menino of Boston, guest of honor at the 2014 Preservation Matters III symposium. Mayor Menino's testimony, plus that of New Orleans Mayor Mitch Landrieu, laid out economic evidence which later speakers would iterate with hard data. Together, the findings of the two-day conference may be summarized in one sentence: *Because historic preservation imbues a sense of "authenticity" which in turn stimulates economic activity, it returns investment dollars at positive ratios — not marginally but five, ten, a hundred, sometimes 250 times over costs, and that's not including the social, cultural and environmental benefits.* Two speakers in particular, Marsh Davis and Donovan Rypkema, offered case studies evidencing this relationship.



Above: An incredible hotel complex restoration in French Lick, Indiana made possible with historic tax credits. **Top:** In Philadelphia, National Register districts gained 12,000 in population between 2000-2010 while the rest of the city lost almost 4,000. Pictured is the historic downtown neighborhood of Center City. Photo courtesy of <http://lovesphotoalbum.com>.

Davis, president of Indiana Landmarks, began the day by cautioning the audience on the question of "authenticity" in preservation. "If authenticity means overzealous purity," he warned, "it can work against us." Transitioning to his experiences in Indiana, Davis expounded, "We don't want to be the organization that tells you what you cannot do. We want to tell you what you *can* do." With that came economic support for the preservationist argument:

- Citing a side-by-side comparison of five historic neighborhoods similar in every way except local historic district designation, Davis reported equal or higher homeownership, length of occupancy, and occupant diversity for those within district boundaries.
- Citing cases across Indianapolis, Davis noted that buildings across the city's 17 protected districts comprised 0.6 percent of all properties but accounted for nearly triple that percentage (1.7 percent) in property value.
- Citing the remarkable West Baden Springs Hotel in French Lick, Davis illustrated how federal tax credits motivated a stunning restoration of a truly unique building, converting it from literal ruins to an economic anchor and cultural icon of southern Indiana.

Davis concluded with one of the most important agenda items of the symposium: ensuring that the proposed Tax Reform Act of 2014 does not end or weaken federal historic rehabilitation tax credits. Such a change would severely raise the cost of renovation while robbing communities of the massive ROI resulting from renovations. To the argument that such an elimination would increase charitable contributions for preservation, Davis scoffed. He advised that the onus is on preservationists to make their economic argument, and to take deserved and rightful credit for the stunning reversal of the decline of American downtowns in recent years.

The day's concluding lecture, delivered by PlaceEconomics principal and Heritage Strategies International founder Donovan Rypkema, brought the Economics of Authenticity theme full-circle — by demolishing the very notion. "There is no economics of authenticity!," Rypkema declared. "Don't talk to me about authenticity unless you're willing to live without safety, without electricity, without indoor plumbing..." Immediately the audience understood his point. The authenticity trope, Rypkema explained, came out of preservation's roots in monument and artifact conservation. When we cite au-

thenticity in the context of historic districts, what we really mean is integrity (*tout ensemble*, in local parlance), and, ideally, a respect for proper zoning, carrying capacity, and other administrative controls. That settled, Rypkema had one other matter to clear: “There is no historic preservation industry.” Rather, historic preservation is a set of actioned values (cultural, aesthetic, social, symbolic, educational and environmental) which trigger certain consequences, most of which are beneficial and many of which do entail specific economic sectors, and while they are tough to measure, they are not impossible, as he would soon demonstrate.

Heritage is by definition vulnerable, Rypkema said, and it’s at greatest risk when investment is too low (abandonment, demolition by neglect) or too high (gentrification, touristification). To get investment “just right,” two mindsets must be aligned. First, preservationists must “think beyond the monument” and avoid the sort of “overzealous [architectural] purity” that Marsh Davis had warned about. Second, preservationists must commit to adaptive reuse. It’s through these channels that historic preservation at the urban scale generates economic activity, and it does so directly (functionally, through the employ of architects, artisans, building managers, etc.) and indirectly, by providing context for downtown livability, walkable neighborhoods, pedestrian activity, local businesses, festivals and cultural tourism. Rypkema spent the rest of his lecture putting numbers on these values.

On Jobs: Research from Delaware indicated that for every \$1 million in output, the manufacturing sector produced 9.2 jobs, new construction generated 11.2, and historic rehabilitation accounted for 14.2 jobs. It also found that for every \$1 million in output, historic rehab yielded \$539,532 in household income, compared to \$477,668 from new construction and \$343,728 in manufacturing.

- Similar results were found in Georgia, where rehabilitating historic buildings generated 18.1 jobs per million output, by far the most of six sectors examined (over five times that of auto manufacturing), and also tops in salary and wages (\$750,000 per million output, more than triple auto manufacturing).
- In Connecticut, historic preservation projects using state or local tax credits have generated nearly \$349 million in household income in the last decade. Stated another way, every \$100 spent on historic rehabilitation puts \$80 in Connecticut workers’ pockets.

On Property Values: Studies have shown that homes in both local and national historic districts appreciated at a higher rate than houses outside district limits, with an average margin of 15-25 percent higher value in recent years.

- Homes in local historic districts gain 2 percent increase in value immediately after designation compared to city average; thereafter, they appreciate

In Washington D.C., the 2010 census revealed that historic districts comprised 45 percent of the population but represented 63 percent of the city’s growth. In Boston, 23 percent of the population lived in historic districts in the 1990s, but they accounted for 36 percent of the growth.

ate annually 1 percent higher than the city average.

- Another study found that national historic district designation produced a 14.3 percent property value premium, while local historic district designation yielded a 22.5 percent premium.
- Another case in Connecticut: Canton’s property values rose 22.3 percent throughout town — but 28.25 percent in its National Register district and 32.3 percent in its downtown local historic district.

On Mitigating Foreclosure: How many preservationists take credit for mitigating home foreclosures? They should. An analysis of single-family homes in 16 comparable neighborhoods in Philadelphia, of which six were historic districts, found the foreclosure rate to be more than double outside district boundaries (over seven per 1,000 units) compared to inside (three per 1,000).

- Similar results were determined in four communities in Connecticut, which suffered nearly 20 foreclosures per thousand units overall but under 10 within local historic districts, as well as for five cities in north Utah, the biggest of which (Salt Lake City) saw a 19 percent-to-5 percent differential



A historic home in Canton, Connecticut where property values rose 22.3 percent throughout town but 28.25 percent in its National Register district and 32.3 percent in its downtown local historic district, according to economist Donovan Rypkema.

between citywide and historic district foreclosure rates. Not only did these areas weather well the real estate and banking crisis of 2007-2009, they also saw their property values increase.

On Heritage Tourism: Preservation-based heritage tourism accounts for \$3 billion total output in the five counties in and around Philadelphia, supporting 45,000 jobs and nearly a billion dollars in statewide earnings.

- Arkansas, despite having a different type and scale of heritage tourism compared to Philadelphia, nonetheless earns \$891 million (21,552 jobs, \$319 million in income, and \$74 million in tax revenue) through this sub-sector of the travel and tourism economy, and while heritage tourists made up one of six total visitors, those visitors spent nearly one of three tourist dollars and were more likely to bring them into Arkansas from out-of-state. Similar figures have been measured in Florida, Utah and elsewhere.

On Environmental Sustainability: Rypkema reported the environmental effects of rehabilitating a 50,000-square-foot historic warehouse in Maryland, compared to new suburban construction. Generally he reported that “preservation projects save 50 to 80 percent in infrastructure costs compared to new suburban development.” Rehabilitation of this particular warehouse yielded:

- 20 to 40 percent reduction in Vehicle Miles Traveled;
- reduction of travel-related CO₂ emissions by roughly 100 metric tons (CO₂ “saved” relative to suburban construction amounted to 18,700-22,000 gallons of gasoline);
- 55,000 MBTU worth of embodied energy retained;
- 5.2 acres of greenfield land preserved;
- 2500 fewer tons of construction debris in landfills; and
- \$500,000 to \$800,000-worth of additional infrastructure saved.

On Commercial District Revitalization: Evidence from Georgia’s Main Street and Better Hometown Communities programs shows dramatic job gains in these designated area — 23,000 new jobs in a decade — even as the statewide unemployment rate more than doubled over the same period. State revenue collections followed suit: businesses flourished in these areas and paid more tax revenue, even as state coffers declined in the late 2000s.

- In New Mexico’s Main Street districts, the business-openings-to-closings ratio ranged between 2.4:1 and 3.3:1 during the Great Recession of 2007-2011, roughly triple the nationwide rate, which had dropped below 1:1 during two of those years. Every year, property taxes from buildings renovated on Main Streets provide an additional \$10,800,000 to local governments.
- In Iowa, towns in the Main Street program sent an additional \$43 million to state tax coffers annually.
- In North Carolina, Main Street programs bring 3.7 times more to the state in sales tax compared to costs.
- Norwich, England’s commercial district revitalization instigated a 60 percent to 300 percent increase in pedestrian traffic, a 40 percent increase in the length of stay of pedestrians, an increase of visitation frequency on the part of 24 percent of pedestrians, significant reduction in noise and air pollution — and the programmatic support of 80 percent of elderly residents and 98 percent of families with children. Similar results were reported from Ghent, Belgium.

On Economic Competitiveness: For most of human history, people followed jobs. Now, increasingly, jobs follow people — namely young knowl-

edge workers — who in turn select their spaces of residence based on quality-of-life factors such as walkability, localism, historicity, and heritage. In a collaboration with Erasmus University in Rotterdam, researchers measured these phenomenon in (1) World Heritage Cities which belonged to the Organization of World Heritage Cities and (2) comparable nonheritage cities. They found that “between 2003 and 2013, heritage cities typically attracted 41 more instances of Direct Foreign Investment than the non-heritage cities.” Concluded Rypkema, “All evidence demonstrates that investment in heritage is an inherently sustainable, long term, and measurably successful solution to economic recession.”

On Mitigating Shrinkage: Rypkema and his students looked at twenty older industrial cities, all of which had National Register districts and most of which had local districts, and overlaid those boundaries on block-level population data from the 2000 and 2010 censuses. They found that while cities in the study lost 11.6 percent of their population, local historic districts lost only 6.6 percent. In Philadelphia, National Register districts gained 12,000 in population between 2000-2010 while the rest of the city lost almost 4,000. Similarly, in Washington D.C., historic districts comprised 45 percent of the population but represented 63 percent of the city’s growth. Returning to Mayor Menino’s Boston, 23 percent of the population lived in historic districts in the 1990s, but they accounted for 36 percent of the growth — and this was generally prior to the great rediscovery of the inner city ongoing in the 2000s-2010s.

ORGANIZERS of Preservation Matters III have identified five specific targets for future actions, and recommend that colleagues use the “Preservation = Jobs” message gleaned from this symposium to advocate for them.

1. **Create more historic districts and expand existing boundaries whenever supported by citizenry.** As shown during the symposium, historic districts bear economic fruit in addition to their good urbanism. Sections of St. Charles Avenue in uptown New Orleans, for example, would benefit greatly from such designation.

2. **Encourage legislators to fund and support Main Street Programs,** as these and similar commercial corridor revitalizations have yielded some of the highest and best-sustained ROIs.

3. **Advocate for full federal funding of the Historic Preservation Fund** at its authorized \$150 million nationwide level, rather than the \$60 million it is usually allocated annually.

4. **Ensure the historic rehabilitation tax credit is not eliminated in the name of tax reform,** as this program is

absolutely fundamental in buying down the cost of renovation and catalyzing gains afterwards.

5. **Embed the notion of carrying capacity into the management of heritage tourism,** so that high visitation does not get concentrated into vulnerable historic districts but rather spread across the cityscape into new and upcoming revitalized areas.

Richard Campanella, a geographer with the Tulane School of Architecture, is the author of Bourbon Street: A History, Bienville’s Dilemma, Geographies of New Orleans, Lincoln in New Orleans, and other books. For a full chronicle of the Preservation Matters Symposium, see <http://architecture.tulane.edu/news/2014/05/article-1017>. Campanella may be reached through <http://richcampanella.com> or rcampane@tulane.edu; and followed on Twitter at @nolacampanella.

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